GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

STARRED QUESTION NO:743
ANSWERED ON:17.05.2002
EXPORT OF RICE
PATY RIPPLE KYNDIAH;VINAY KUMAR SORAKE

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the attention of the Government has been drawn to the news item captioned `High-quality subsidised FCI rice being exported at reduced price` appearing in the Economic Times dated April 9, 2002;

(b) if so, the details and facts of the matter reported therein;

(c) the reasons for signing the contract for such low priced rice with very limited number of foreign buyers and the modus operandi for such questionable trade;

(d) whether the Government have initiated any action so as to ascertain the real cause of such deal;

(e) if so, the details thereof; and

(f) if not, the reasons therefor?

Answer

THE MINISTER OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI SHANTA KUMAR)

(a),(b),(c),(d),(e)&(f): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a),(b),(c),(d),(e)&(f) OF STARRED QUESTION NO.743 DUE FOR ANS ON 17-05-2002 IN THE LOK SABHA.

(a): Yes, Sir.

(b),(c),(d),(e)&(f): It has been stated, inter alia, in the news item under reference that instead of trying to get the highest price possible, state trading companies PEC and STC and several large trading houses are exporting high-quality but heavily subsidized FCI rice at prices which are $ 13-15/tonne lower than the average rates being offered by the world market for ordinary rice from India. The points highlighted in the news item are given in Annex.

It may be clarified that rice procured by FCI is of Fair Average Quality (FAQ). The maximum limit of brokens in the case of par boiled rice is 16% as against 25% in the case of raw rice.

According to information received from STC, the total quantity of rice exported by it during 2001-02 and 2002-03 upto (April, 2002) was 1,11,047 tonnes as per details given below:

Percentage of Broken	Quantity(in tonnes)
5%	27,448
8%	5,590
14%	14,390
18%	12,730
25%	50,889

Details of exports made by STC through its associate suppliers are given below:

Name of foreign buyer	Quantity (in tonnes)

Ascot Commodities	19,424
ADM Rice Inc. USA	29,030
Noble Grain Pte. Ltd. Singapore	5,590

According to information received from PEC, the total quantity of rice exported by it during 2001-02 and 2002-03 upto (15.5.2002) was 1,19,000 tonnes as per details given below:

Percentage of Broken	Quantity (in tonnes)
Nil / 5%	1,10,334
15%	2,416
25%	6,250

PEC has informed that it has entered into export contracts with M/s.Ascot Commodities for 51,000 tonnes of raw rice (5% broken). PEC has not entered into any contract with Noble Grain Pte. Ltd. and ADM Rice Inc. USA. PEC has, however, signed contracts wit other buyers for the export of rice.

STC & PEC have also informed that the exports are made strictly as per the contractual terms and shipments are made after proper quality and quantity surveys by the nominated surveyors of international repute. As such the possibility of any deviation between the contracted and actual quality is very remote.

FCI has informed that Bank Guarantee (BG) is being obtained from private parties for the differential value of rates between the domestic sale price and the export price. In case the private parties fail to submit the prescribed export documents within 90 days from lifting the stocks, the BG can be encashed. The PSUs submit Indemnity Bond in lieu of BG.

It may be mentioned that the export price of rice as well as wheat is fixed by the Government taking into account the recommendations made by the High Level Committee (HLC) of FCI, which, inter alia, includes the representatives of the Ministry of Commerce and Ministry of Finance. HLC makes its recommendations keeping in view, besides other things, international market trends including prices.

It may also be pointed out that the export price of rice has been increased by Rs.110 per tonne in the case of raw rice and Rs.115 per tonne in the case of par boiled rice with effect from 11.5.2002.

ANNEX REFERRED TO IN REPLY TO PARTS (b),(c),(d),(e)&(f) OF STARRED QUESTION NO. 743 DUE FOR ANSWER O 05-2002 IN THE LOK SABHA.

Points highlighted in the news item that appeared in The Economic Times in its issue dated 9.4.2002 under the caption `High-quality subsidized FCI rice being exported at reduced price`.

The following points have been made in the news item under reference:

(i) Instead of trying to get the highest price possible, state trading companies PEC and STC and several large trading houses are exporting high-quality but heavily subsidized FCI rice at prices which are $ 13-15/tonne lower than the average rates being offered by the world market for ordinary rice from India.

(ii) Most of such unusually low-priced contracts have been signed with just three foreign buyers - ADM Rice Inc of USA, Noble Grain Pte Ltd of Singapore and Ascot Commodities NV of Netherlands.

(iii) The low prices being received by most Delhi exporters suggest that both the Indian supplier and the foreign buyers are fully aware that the high quality (usually 5 per cent brokens) stipulated in the contract will not actually be shipped out and, therefore, is being priced accordingly.

(iv) The modus operandi behind such low-priced deals is simple. Traders pick up highly subsidized rice at Rs.5.65/Kg from FCI and sell it at a hefty profit for Rs.8.50-9/Kg in local markets. As there is then a shortfall in their total quantity, traders sign contracts of 5 per cent broken, which allows them to explain away upto 20 per cent of their FCI stocks as brokens sold in local markets. But they actually ship out inferior quality rice with 25 per cent brokens, as reflected in their pricing.

(v) As the quality stipulated in such contracts is unlikely being shipped, the role of Indian surveyors who are certifying that each shipment meets the contract specifications also remains questionable.

(vi) STC and PEC, unfortunately, have been dragged into such deals because they often do business on behalf of private exporters. This route allows private traders to avoid paying a hefty bank guarantee while picking up FCI stocks, while the PSUs simply charge a commission and let the supplier take care of contract details.